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SIR FRANCIS HINCKS'

BUDGET SPEECH.

Friday, March 10, 1871.

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Friday, March 10, 1871.

SIR FRANCIS HINCKS, in rising to make his financial statement, moved that the Speaker leave the chair. He said—I am deeply sensible, sir, of the importance of the duty which devolves upon me on this occasion, and as I am fully conscious of my inability to discharge this duty in a manner satisfactory to myself, I can hardly hope to be able to discharge it with satisfaction to the members of this House. I therefore feel it necessary to throw myself upon their indulgence, assuring them I will do everything in my power to place before this House and the country a statement of the exact financial position of the Dominion. I regret very much that some important members of the House are absent on this occasion, because a great deal of discussion took place during the recess upon the subject of the finances, and by some of those gentlemen statements were made, calculated, in my humble opinion, seriously to alarm the people of the country with regard to its financial state; and I felt it my duty myself to take an early opportunity—almost the only opportunity that I had during the recess—of affirming that those statements were grossly incorrect, and of pledging myself that, if I lived to meet one hon. gentleman (not now here) in Parliament, I should expose the misstatements he had made on this subject. Now, during the recess, at a large public meeting which was held in a western county, it was affirmed that it was impossible for any man to take up the public accounts and ascertain the amount of the debt; that the Government knew there was an annual deficit, and that if they imposed taxation to the extent necessary to meet the public requirements they would be called to account, and that therefore they sought to hide the true state of affairs. And it was said, in addition, that on this ground there existed a reason or motive on the part of the Government for framing the Insurance Bill passed in 1868, and that the effect of it was to place \$4,460,429 in the hands of the Government, which repre-

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sented a large increase of the public debt from that source. I felt it my duty to endeavor, when the public accounts for last year were presented, to have a statement carefully compiled, showing the exact state of the public debt at the time of the Union on the 1st July, 1867, and also at the period of 1870. This statement has been some time in the hands of hon. members, and it will be seen from it, that, so far from it being correct as to a great increase of the public debt, the total increase of the debt since Confederation has been but \$2,481,101.71 while there has been, during the same period, an expenditure on account of public works, chargeable to capital account, of \$4,759,335.08 leaving a capital expenditure for the three years of \$2,278,234.79. I think this is a very satisfactory state of things. (Cheers.) In order to remove all possible ground of exception to this statement—because we have had discussions during last session about the manner in which certain items were charged to capital account of public works—I would throw over the public works altogether, the ordinary public works, although it was expressly understood they were to be so charged. Authority was given to borrow money for the completion of those public works. However, I will dispense with them, and confine myself to two particular items, about which there can be no possibility of doubt. There was an expenditure upon the Intercolonial Railway of \$1,778,450, and upon the acquisition and opening up of the North West, specially provided for by loans, and which expenditure amounted on the 30th June to \$1,828,877, making together a total of \$3,607,327. But the aggregate increase of the debt was but \$2,277,234. A great deal was said on the subject of the Insurance Companies' deposits. The most sinister motives on this subject were attributed to the Government. It was asserted the deposits or guarantees were not exacted for the protection of the public so much as for the obtainment of money by the Government.

Hon. Mr. HOLTON—Hear, hear.

Sir F. HINCKS—I believe that at present very few have any reason to think so, or that it was other than a most desirable thing that in the interest of the country there should have been this protection to policy-holders provided by the Act, more especially as regards foreign Insurance Companies. I only refer to this matter at present because it has been so prominently raised. It was stated in that speech to which I have referred, delivered in the West, and, doubtless to the belief of every hearer—because there was nothing but cheers and laughter throughout the address—that Government had got hold of all the money required by the Act, amounting to \$4,460,429, while it appeared by the last return, made up to that time, that the total the Government had received was but \$1,837,000. This is the sort of accuracy that characterised the statements of that speech. (Cheers.) I frankly admit that four millions is the amount the Insurance Companies have deposited, but a great portion of their securities are in British Consols, United States Securities, and Government Debentures of various kinds, all of which produced no effect upon the public debt; so that the amount I have already given (\$1,837,000) is the amount actually paid into the Government and invested in Dominion stock. A similar erroneous statement was made with regard to the Savings Banks. It was alleged the Post Office Savings Banks gave the Government \$2,387,650, whereas they yielded but \$1,859,000. An old story was, on the occasion I refer to, raked up in relation to the Intercolonial Railway Loan. It was asserted the money (\$6,575,410) intended for the building of the road was diverted to Government uses. The same remark applied, it was said, to the Great Western Railway Bonds. This subject of the Intercolonial Railway has been so often discussed, so much has been made of it, that it may not be uninteresting, after all that has taken place, to explain the state of the matter. As to the Imperial Loan, the people in England were led to believe that the money had actually been taken to build the edifices in which we are now sitting. All sorts of stories were told on this subject, while the fact is the whole amount of the Imperial Loan is bearing interest and on deposit in the Bank ready for use when required for railroad purposes. (Cheers.) The whole amount of the Exchequer Bonds,—those wonderful bonds,—which at one time was represented as \$6,600,000, is only \$399,660, which will be paid out as the Intercolonial Railway advances. I think the hon. gentleman who preceded me in office adopted a wise policy when he paid our debts, some of which bore six and some seven per cent. interest, with money borrowed so cheaply, and knowing

perfectly that, long before it was wanted, it would come back from sources about which there was no doubt whatever. Some of these sources are those to which reference has been made now—the Savings Banks, Insurance Deposits, and Great Western Railway Bonds—all of which it was quite certain would be realised in due course. To have allowed this money to have remained, as it was contended by hon. gentlemen of the Opposition it should have, at an interest of $1\frac{1}{2}$ to 2 per cent. in London, instead of paying with it debts carrying a high rate of interest, would have been, in my opinion, a most mistaken policy. (Cheers.) But the public debt was not the only subject which engaged the attention of the meeting to which I have referred. There was a serious charge made with regard to the Civil Service—namely, that there has been an increase of nearly \$70,000 in two years, owing to the naturally bad system of government that existed under the coalition. The statement as to this extraordinary increase was a total mistake. One cause of the error—because I will not suppose any intentional misrepresentation was made—was taking the actual expenditure in one year and comparing it with the estimate in another year. I cannot better show the fallacy of such a mode of calculation than by merely adverting to the fact that in the very last year the estimate for Civil Government was \$701,051.66, whereas the expenditure was \$620,348.73, showing a reduction of \$80,702.93. There are many items comprised under the head Civil Service, and unless a just comparison is made it is impossible to arrive at a satisfactory result. I am not going to deny there has been an increase in the Civil Service outlay. I do not want to shrink from the admission of the fact, nor from the defence of this increase. It is utterly impossible in a country like this, whose business is developing at such a rate, to avoid this increase. I will take, for instance, the Department in which the greatest increase, I believe, has taken place—namely, the Post Office Department. Not only has there been a very great addition to the work in this Department, through the new Post Office Savings Banks' system, which alone is a very important addition, but there has been no less, since Confederation, than ten per cent. of new post offices added to the service. In the Post Office service the increase of expenditure rose from \$41,000 in 1866-7 to \$52,000. This is the Department where the greatest augmentation has taken place. But is it possible, in a Department where such an immense increase of business and revenue appears as in the Inland Revenue Department and the Customs, which have augmented at a most extraordinary rate, and are still augmenting, that they could go on with the same old limited staff? (Cheers.) Then there is another Department which has shown a very large increase of business—I mean the Agricultural—with its labors in regard to patents. (Hear, hear.) It is therefore not at all surprising there should be a trifling increase in the expenses in connection with these branches of the service, which I am sure will be found not to have proved in any sense excessive. (Cheers.)

I referred last year, Sir, to the very satisfactory position of this country as compared with that of other countries—our immediate neighbors to the south of us, and the Mother Country,—both with regard to the rate of taxation and the amount of debt. I will not trouble the House by going any further into that matter now, but there is one point which I think is deserving of attention, in reference to the position of the country, and that is that Canada has in the last year, with regard to its business transactions with the Mother Country, risen from the rank of No. 11 in the list to that of No. 8.

Hon. Sir GEO. E. CARTIER—Hear, hear.

Hon. Sir FRANCIS HINCKS—The exports to Canada exceed those to Russia, China, Brazil, and Turkey, all countries having a very large trade with Great Britain. But there is a very important fact in connection with this, which should not be lost sight of, that there is no country which trades with England that receives from her so large a proportion of her goods as Canada in proportion to her population. (Cheers.) I have ascertained from statistics that the United States with forty millions of people, took during the last nine months, the returns of which I have been able to get, £20,000,000 worth of goods, being at the rate of ten shillings per head of the population. During the same period, Canada with 4,000,000 of people, took £6,000,000 worth, being at the rate of £1 10s. per head, or exactly three times as much for our population as the United States. (Cheers.)

Hon. Sir GEO. E. CARTIER—Each of us worth three Americans. (Laughter.)

Hon. Sir FRANCIS HINCKS—When you look to other lands which are put down as being the great countries with which there is trade, to British India, for instance, which stands very high after the United States, the difference is even greater. It must be remembered that British India has a population of 155,000,000, and, therefore, the exports to that country amount to about two shillings per head. Russia receives 1s. 6d. per head; Germany, which also stands very high in the list, about eight shillings per head; so that we have the satisfaction of knowing that this country is the one which in proportion to its population carries on the most commerce of any country in the world. (Cheers.) This is a very satisfactory statement of our relations with the Mother Country. I desire, Sir, in reference to the public debt, before closing my remarks on that branch of the subject, to make some reference to a work which I have no doubt is familiar to nearly every member in this House, but which I am sure they cannot be too often reminded of in connection with this matter. I think it is important to call their attention to it at this moment, because the probability is, that at no distant day, looking at the state of public opinion, that works of considerable magnitude will be undertaken, and it is important that people should not be alarmed as to the state of the finances—that they should not be alarmed at a debt, which, considering the resources of the country, I own I do not look upon with the slightest apprehension. I wish, Sir, to call attention to that celebrated passage in Macaulay's History of England, where a reference is made to the English debt. In describing the history of the period when that debt first originated, he refers in most eloquent terms to the state of public opinion at various times as to the public debt of the nation. He says:

"Such was the origin of that debt which has since become the greatest prodigy that ever perplexed the sagacity and confounded the pride of statesmen and philosopher. At every stage in the growth of that debt the nation has set up the same cry of anguish and despair. At every stage in the growth of that debt it has been seriously asserted by wise men that bankruptcy and ruin were at hand. Yet still the debt went on growing, and still bankruptcy and ruin were as remote as ever. * * * Not less gloomy was the view that George Grenville, a Minister eminently diligent and practical, took of our financial situation. The nation must he conceived sink under a debt of one hundred and fifty millions, unless a portion of the load were borne by the American colonies. The attempt to lay a portion of the load on the American colonies produced another war. That war left us with an additional one hundred millions of debt, and without the colonies whose aid had been represented as indispensable. Again England was given over, and again the strange patient persisted in becoming stronger and more blooming in spite of all the diagnostics and prognostics of State physicians. As she had been visibly more prosperous with a debt of one hundred and fifty millions than with a debt of fifty millions, so she was visibly more prosperous with a debt of two hundred and fifty millions. Soon, however, the wars which sprang from the French Revolution, and which far exceeded in cost any that the world had ever seen, tasked the powers of public credit to the utmost. When the world was again at rest, the funded debt of England amounted to eight hundred millions. If the most enlightened man had been told, in 1792, that in 1815, the interest on eight hundred millions would be duly paid to the day at the bank, he would have been as hard of belief as if he had been told that the Government would be in possession of the Lamp of Aladdin, or of the purse of Fortunatus * * * The beggared, the bankrupt society not only proved able to meet all its obligations, but, while meeting those obligations, grew richer and richer so fast, that the growth could almost be discovered by the eye. In every county we saw wastes recently turned into gardens; in every city we saw new streets and squares, and markets, more brilliant lamps, more abundant supplies of water in the suburbs of every great seat of industry; we saw villas multiplying fast, each embosomed in its gay little paradise of lilacs and roses. While shallow politicians were repeating that the energies of the people were borne down by the weight of the public burdens, the first journey was performed by steam on a railway. Soon the island was intersected by railways. A sum exceeding the whole amount of the national debt at the end of the American war was, in a few years,

voluntarily expended by this ruined people on viaducts, tunnels, embankments, bridges, stations and engines. Meanwhile, taxation was almost constantly becoming lighter and lighter, yet still the exchequer was full. It may be now affirmed without fear of contradiction that we find it as easy to pay the interest of eight hundred millions as our ancestors found it, a century ago, to pay the interest of eighty millions."

He goes on:—"A long experience justifies us in believing that England may in the 20th century be better able to pay a debt of 1,600 millions than she is at the present time to bear her present load." Now, Sir, have we nothing to show of a similar kind? Why, Sir, I had a statement put into my hand the other day which I have not had an opportunity of verifying, but I have no doubt it is substantially correct and carefully prepared. It gives the following figures. In the year 1828, just a couple of years before I came to Canada, the population of the whole Home District was only 21,329, and the entire assessed value of property amounted to \$1,269,252. That district, Sir, the capital of which was then Little York, with a population of 4,000, comprised York and Simcoe. At the present time that same division has the city of Toronto, three Ridings of York, two Ridings of Simcoe, two Ridings of Ontario and the County of Peel. The population in 1861 had risen from 21,329 to 218,000, and I dare say, in a few weeks, we will find that the increase during the past ten years has been in even a greater ratio. In 1861 the assessed value of property had risen from \$1,269,252 to the enormous extent of \$69,077,000—an amount not very far short of the whole amount of the Dominion debt.

Well, Sir, I think we find the country progressing in a very satisfactory manner. This is only one instance, and I believe almost as great progress has been made in other parts of the Province of Ontario. I am sure there is no part of the Province of Ontario where one sees greater signs of improvement and progress than in the city of Montreal, (hear, hear.) I have not had such an opportunity of judging of the increase in other parts of the country, but there is not the smallest doubt that the development of railways, added to our splendid water communications—that these have tended to make this country advance in a ratio which is not exceeded in any other country in the world. (Cheers.) I have now, Sir, to come to the really important part of my duty, having explained exactly, what the real increase of the debt is—that, in point of fact, although the debt has, apparently, increased very much, at the same time the assets have also very considerably increased, and that the real *bona fide* addition to the debt is, as I have said, something under \$2,500,000 since Confederation. I will now, Sir, come to the transactions of the year which has just closed, as shown by the public accounts. The estimates made by my predecessor of the revenue for that year was \$14,650,000, and he estimated there would be a surplus of about \$300,000. It has turned out that this estimate has been very largely exceeded, that the actual receipts were \$15,512,225, showing a surplus over the estimate of \$862,225. The expenditure, on the other hand, shows an apparent saving of \$544,595.54, but there is a sum of \$209,656.69 which should have been applied to the Sinking Fund of that year, but was not carried to the account during the year, and therefore, falls into the current year, so that, that strictly speaking, ought to be deducted from that amount. There are also certain public works which were not constructed, and it is not fair to treat the money appropriated for them, but still unexpended, as a saving. The result of it is that the money is in the chest instead of being expended, and it is not, strictly speaking, saved, as the works will have to be constructed another year. By that means the actual expenditure was brought down to \$14,345,409.58. The actual receipts for the year having been \$15,512,225, there was, therefore, an excess of \$1,166,816, but from that is to be deducted a further sum. I would remind my honorable friend opposite, that great complaints were made last year, with reference to certain items in the public accounts. These were charges against the public works which, it was said, ought not to have been made against capital, but should have been charged against income. It very often happens that there is a good deal of difficulty in classifying these items under the head of public works, and I have been always sensible that there has been ground, at all events, for complaints on that score. I have, however, caused the sum of \$164,988.18 to be written off against Consolidated Fund—or to be taken from capital account and transferred to income account since the accounts were published. If any hon. gentleman

has got the public accounts, I could at once refer him to the place. It will be found at page 177 of the Public Accounts. There are a number of items, such as stores in excess of issues since June, 1870, amounting to \$36,152.66, another amount on the Parliamentary and Departmental Buildings in Ottawa,—that account has always been treated as capital account in consequence of the buildings themselves having been constructed on capital account—but still there are several items in that such as care of grounds, payment of clerks, &c. The aggregate amount is \$39,921.19; and there is another item of the various charges connected with the Welland and Cornwall canals of \$88,914.33. Those items have all been carried to capital account in reduction of that amount: but it is satisfactory to know that there is really an actual surplus of nearly \$1,000,000 on the transactions of the year. I desire to call attention to the manner in which that surplus has been attained, and how our Estimates were at fault. In that year there was an excess of revenue over the preceding year, in the articles of sugar and molasses alone, of \$371,000. Tea was in excess, \$224,000; brandy, gin, and spirits, \$135,000; wine, \$40,000; iron and hardware, \$35,000;—the total being \$805,000. There was, also, an increase in Excise of \$909,594. (Hear, hear.) In this way we have got, then, a large surplus for the year 1870. I shall now come to the current year. The estimates for the year—the original estimates I made last year were \$8,600,000 for Customs; to that we added \$950,000 as an estimate for the new duties, giving an aggregate of \$9,550,000. According to our present estimates, we believe that the Customs Revenue for the current year will reach \$10,500,000, giving an excess over our estimates of \$950,000. Here, again, I will call attention to the articles in which this increase has taken place. I stated, the articles on which the great increase took place in the previous year 1869 and 1870. During that year there was no material increase, in fact, I am not sure there was any in the great staple articles of cottons and woollens, from which a very large revenue is derived; they were about the same as the previous year. But during the past half year, we find there has been an increase in a number of articles—nearly all staple articles—of import, of which some of the articles to which I have referred, bear a very small part. But there is no material increase in the tea duty; in the sugar duty there is an increase of \$61,000, in brandy there is an increase over the previous year of \$33,000; gin, \$45,000; wine, \$30,000; cigars, \$22,000. There is also a very considerable increase during this current year, on some other articles—namely, on woollens, \$261,000; on cottons, \$126,000; on silks, \$63,000. There is, also, an increase on many other items, making altogether an increase of \$858,000 in the first six months. (Hear, hear.) In Customs there will be a very considerable increase beyond what we anticipated. The Excise will give \$775,000 above the estimate. The estimate on spirits was \$2,375,000, we expect \$2,750,000. We expect from malt, \$250,000; and tobacco, \$630,000; and we also anticipate an increase from petroleum. We expect \$4,200,000 from Excise, giving us a surplus above the estimates of \$775,000. I expect to get \$25,000 from stamps, and smaller sums from miscellaneous items, with which I need not now occupy the attention of the House. The total result will be to give us a revenue during the year of \$17,360,000. In the estimates for the year \$15,000,000 is the sum stated to be needed, but there are some items to be added. For instance, the sinking fund of the previous year, which falls due the present year, though it does not belong to this year. Some balances will also be carried forward. For frontier expenses, the sum of \$119,000 will have to be added. The total sum therefore would be \$15,588,927, as the aggregate estimate. I may here state, that there is some addition to the subsidies in consequence of the new Province of Manitoba being brought into the Dominion, and also a charge in connection with the silver, both which will amount to \$311,616; so that the aggregate estimate we calculate may reach \$15,900,543. There may yet be some saving. I find there is an estimated saving in the Militia of \$295,000; but against that I am rather inclined to think that the Minister of Militia has a supplementary estimate.

Hon Mr. HOLTON.—Hear, hear.

Hon Sir FRANCIS HINCKS—This supplementary estimate will more than absorb that

amount. But still there is a saving on the Militia Estimates of last session. The estimates for premium and discount will be reduced by \$10,000; nearly all the exchange bought the present year being under par. There has been a saving in miscellaneous items under the head of "unforeseen expenses." In the charges for Public Works, we expect to save \$75,000; altogether we anticipate a saving of \$433,470; which will leave us an actual expenditure for this year of \$15,467,373. That, deducted from the estimated revenue, as taken from the best information, will leave us a surplus of \$1,892,627 for the current year; from that we will have to deduct anything that may be voted by Parliament for the services of the current year. I have now to approach the year that is to come—the year ending the 30th of June, 1872. In the estimates which have been submitted, it will be found that the aggregate amount, including what is provided by permanent acts is \$25,682,000. Of that sum, \$7,846,900 belong to Public Works, chargeable against capital—such as the Intercolonial Railway. Deducting that sum for Public Works there will remain \$17,835,472; and from that two deductions are to be made—one the amount of redemption of debt to the amount of \$1,040,000, which will be redeemed during the year. There is, besides, a re-vote of \$400,000 for the North West, which, of course, is already provided for by the Act, as a charge on capital. The aggregate of these is \$1,440,900, leaving the estimates at \$16,394,000. That is a large estimate, certainly, and it is in excess of what it has been usual to bring down. Therefore it is desirable to call attention to the leading items in it, which have an unusual character. In the first place, there is a large item for the taking of the census, an item of \$360,000. Then there is a special amount required for the purposes of the Militia—the sum of \$276,000—not for ordinary militia services, but for the purchase of various arms, under an arrangement of a very desirable kind, made with the Imperial Government. There is another item which is of quite an unusual character, though it will have to appear in the estimates—the item of \$50,000 for a boundary survey between the Province of Manitoba—on the North-West—and the United States. There has been a dispute about this boundary, and a proposition was made to the Imperial Government with reference to having a new survey by a joint commission, and at a joint charge. The Imperial Government, under all the circumstances, considering the independent, or semi-independent state, we have become, has dealt with us in a very fair spirit. They have proposed, in accepting the proposition of the United States, for a joint survey, to pay one-half of the British share of the expenses if we paid the other. Under the circumstances, this was a reasonable proposition. We are interested in the matter, and cannot complain. The Public Works—chargeable against income—are considerably in excess of what is the usual charge. This is necessary, from the construction of several public works, which are urgently demanded. The works are of urgent necessity, and I trust will, when the time comes, commend themselves to the favorable consideration of the House. These items, which are quite exceptional, amount to \$1,186,000 in the aggregate. The question now is, what is our position with regard to ways and means. I estimate that our revenue will be from Customs \$10,000,000; inland revenue \$4,300,000; Post office \$500,000; Public Works, \$1,000,000; Stamps, \$100,000; miscellaneous, \$850,000; and, taken together the aggregate will be \$16,810,000. I have reason to believe, however, that there will be a supplementary estimate which will add something to our expenditure—about \$300,000. My honorable friend beside me (Hon. Mr. Morris) has a measure to bring forward—a new system of weights and measures, the introduction of which system will cost about \$50,000. There are some other matters connected with the Public Works, which we shall have to deal with; and we have some items to put on yet, which will swell the amount. Still, there will be, in the amount of estimated revenue, a surplus of \$300,000. I think, sir, that the statement I have made with regard to the actual results of the operations of the last two years, and my anticipations of the year to come, are very satisfactory; and possibly there are many Members who think they will justify a much larger reduction of taxation than the Government feel justified in proposing. It may, perhaps seem hardly regular to consider these points before going into Committee of Ways and Means, still I may mention what we propose to do with regard to taxation. It will not be found that there is anything very serious contemplated. I dare say there will be some disap-

pointment expressed by certain Members when they find that their particular hobbies are not likely to be realized. But I trust I shall be able to give reasons that will satisfy even those Members, that at the present time, it is not expedient to adopt the course which a great many are anxious we should adopt. I am anxious, before touching on that subject, to state what the Government are prepared to propose.

The very first step to be expected from the Government in making a reduction in the duties, would be the removal of the additional five per cent. on all duties imposed last session. Then the next step that would naturally engage our consideration would be those duties to which so much opposition was made last session; I refer to the duties on coal and flour. But I feel quite sure that the House will consider with me that this is not a suitable time for dealing with that question (hear, hear). I think a more unfortunate time could not be selected for taking up that question. At present, as we all know, negotiations are going on at Washington, and it is not improbable that this very question of duties, of commercial relations between the two countries, will receive consideration at the hands of the Commissioners. I, therefore, think that alone, if no other reason could be offered, is sufficient to prevent the Government taking up that subject at the present time. It is not on account of the great amount of revenue to be derived from these articles that the Government desire to postpone the consideration of the removal of those duties, because really and truly if the Government felt it advisable at present to deal with that particular question, the consideration of revenue would not be a serious one. But we may be told "if you are not prepared to deal with those duties, why refuse to reduce the duty on other articles?" Well, I do not think it is expedient to do so in the face of the probable large demands which will be made upon us for the construction of great public works, although the subject of constructing these great works has not yet engaged the consideration of Parliament, it cannot be doubted that some of them at least will have to be undertaken. I do not think that it will be contended that the taxation now levied on the people is causing any public inconvenience, or that any serious complaints are being made respecting it—passing over the particular question with regard to the coal and flour duties, respecting which I admit there is a considerable amount of dissatisfaction. That being the case, and looking to the future when we shall have to go into the market to borrow money to meet the large expenditure which we will, no doubt, have to incur before very long, we thought it advisable to keep up the revenue so that the credit of the country might be increased, and we might be able to borrow upon more favorable terms than we otherwise could. I believe, therefore, that it will be found a great deal more advisable to avoid taking off any other duties, and more especially as it is within the bounds of possibility and even of probability that the duties on coal and flour will be taken off.

There has been a constant demand by many members of this House, and by various sections of the people for a reduction of the duties upon various articles which are either raw materials, or *quasi* raw materials entering into the manufactures of the country. I think it is sound policy to aid these manufactures in every possible way, and that it is exceedingly desirable to add these articles to the free list. These applications are frequent and they are made very often during the recess of Parliament. We propose to ask Parliament to empower the Governor in Council from time to time to transfer to the free list articles which are used as materials in Canadian manufactures. Of course a list of the articles thus transferred to the free list by orders in Council will be laid before Parliament within fifteen days of the opening of the next session. I think the House may fairly trust the Government with that power, believing that it will be exercised with discretion, and I feel sure it is a proposition that will meet with general satisfaction. There then was some difficulty with respect to machinery. For a long time machinery was admitted free of duty, but last session we again placed it in the 15 per cent. list. A great many applications are continually being made to us upon this subject. On the one hand it seems a very unreasonable thing that Canadian machinists should be subjected to a duty upon the various articles which they import and use in their manufactures, and at the same time the machinery which they make comes in free of duty. That seems to be very objectionable. On that ground we proposed last

session to put machinery on the 15 per cent. list. But it has been represented, and there is no doubt of the fact, that it is sometimes very important that machinery, which is not and cannot be manufactured in this country, should be admitted free. We propose, therefore, to ask Parliament to authorize the Governor in Council to admit free of duty any machinery on satisfactory evidence, that like machinery is not manufactured in this country. Of course any provisions under that head would also be submitted to Parliament within fifteen days after the opening of the session. It will be necessary to provide for the extension of the customs duties which were authorized to be levied in the Province of Manitoba to the whole of the North-West Territory. There is but one other item at all affecting, I can hardly say the revenue, but the commerce of the country, to which I will very briefly refer. Very strong representations have been made to the Government from time to time within the last two or three years with regard to the necessity of taking some steps to prevent the destruction of hemlock trees which has been going on. In relation to this matter I may just read a statement of facts as set forth in a petition to the Governor in Council, and I may add that enquiry has been made, and reliable persons have assured us that these statements are substantially true:—"Within a few years a swarm of speculators have carried on to a very large extent the trade of exporting bark to the United States, thus stripping our forests of all the hemlock to an alarming extent. Large quantities of well timbered hemlock lands have fallen into the hands of speculators, who, after taking all the bark, leave the same with the timber rotten and totally unfit for actual settlement. Trespassers, also, for the sake of gain, enter upon unoccupied lands belonging to the Crown and to individuals and destroy all the hemlock timber." Now, there is an extract from this hemlock bark, which is exported to the United States. The United States Government, no doubt very wisely, looking entirely to their own interests, have imposed a pretty smart duty upon this extract, that is, manufactured in this country, but admit hemlock bark duty free. We propose to counter-check this action on their part by putting a duty of \$1.50 a cord upon hemlock bark. This is not a question really affecting the revenue; we neither hope nor expect to get any revenue in this way, nor do we desire it. But it is very undesirable that our hemlock trees should be all cut down and the bark sent out of the country. I may say that while the representations on this subject chiefly came from the Eastern Townships, we received some representations to the same effect from the Province of Ontario. Under these circumstances the Government considered the matter, and having reason to believe the truth of the representations, they thought it their duty at all events to enable the House to decide upon it. It is not a matter that they take any very warm interest in. They believe it is right to make the proposition, and they leave it to the House to deal with it as it may see fit.

These, Sir, comprise the statements which I think it necessary to make, and I have only in conclusion to thank the House very sincerely for the attention they have given to me (cheers).

SIR FRANCIS HINCKS rose to reply to the speakers who followed his budget speech, including Sir A. T. Galt, Mr. Cartwright, and others. He said—Before I make a few remarks on the speech of the Hon. Member for Sherbrooke, I wish to say a few words in reply to the remarks of the last speaker, the Hon. Member for North Oxford (Mr. Oliver), on the question of the public debt. The hon. gentleman surely has got a statement before him of the exact state and particulars of the debt and assets, and he must see that everything is stated there clearly from Confederation down to the last fiscal year, and that the debt has not increased more than the amount actually set down. In fact, it is evident there has been a very considerable saving, as I showed in my former remarks—that the increase of debt from 1867 has been \$2,481,101. I have shewn that the expenditure from capital in purchasing and opening the North-West, and in connection with the Intercolonial Railway, has been \$3,609,337 (cheers). With regard to the course of the Hon. Member for Sherbrooke, I think it has been most unusual; and nothing has been more extraordinary in relation to the proceedings of this evening than the course taken by the Member for Chateauguay, who has been sitting silently during the discussion, but who commenced it by proposing to me, as a matter of convenience to the House, that this discussion should be entered upon with you, Sir, in the Chair, instead of going into

Committee of Ways and Means, as usual. Whether the hon. gentleman knew that the Hon. Member for Sherbrooke was going to propose a motion equivalent to one of want of confidence, I am unable to say. All I do know is, that I would rather occupy the position of the Government than the position of those hon. gentlemen in taking this course (cheers and counter cheers). The Hon. Member for Sherbrooke took a great deal of credit to himself for his tariff of 1866, and in referring to the fact that no substantial alteration has been made in that tariff, he said, in some respects there had been a departure from sound principles. Of course I understand why he shrank from naming the particular points that constituted a departure from the sound principle in question—and if the remark had come from the Member for Lambton or the Member for Chateauguay, I might have admitted it bore an air of consistency, because they no doubt would have condemned everything like a duty on articles of food. But not only did the Member for Sherbrooke impose a duty upon such articles as fish and oils, but on lard, tallow, flour, Indian corn and corn of all kinds, meat, butter, cheese, and so forth. Yet this was the gentleman who accused the Government of a departure from sound principle in regard to the present tariff (cheers). He may shelter himself under the statement that he referred to coal. Is that duty a departure from sound principle? All I need observe is, that I will venture to say that if Confederation had existed when he brought in the tariff of 1866, coal would have been placed side by side with flour (hear, hear). At that time there was no Nova Scotia to consider, and there was no coal from her brought to Canada. Canada was importing coal from other places, and, no doubt, if we had been in the same position last Session, coal would not have found its place in the tariff. Nothing could be more unfair than the observations of the Hon. Member with regard to the quotation I made from Macaulay's History of England. There was nothing in what I said to intimate I thought it was desirable there should be a great public debt. I wanted to shew that, notwithstanding that great public debt—and let it be observed, that was contracted almost exclusively for carrying on war—and surely no one can imagine it is a desirable thing to contract debt for such an object—however necessary it may be to contract debts for the defence of the country—the mother country had increased in wealth and prosperity. But here we are in very different circumstances. Our debt was contracted, not to carry on war, but for the noble, the promising work of public improvements (cheers). I do not hesitate to say, I believe it has been the means of increasing largely the material prosperity of the country, and of accelerating its progress (hear, hear). This debt of ours has not been, as the hon. gentleman strove to make it appear, a serious disadvantage. The Hon. Member talked a good deal about the tendency to speculation resulting from a debt and loans, and warned us anxiously in regard to them; and he went on to condemn the municipalities for going too fast in giving subsidies to railways, and also the Provincial Governments of Ontario and Quebec. I saw an announcement, not many weeks ago, that the Hon. Member for Sherbrooke was himself soliciting aid from the Government of Quebec for a certain railway. Yet he now actually condemns it for its generous policy on this subject (cheers). Then, however, he was urging that Government to go even further than it proposed in its contribution (renewed cheers). Moreover, one of the conditions of the Union we are about consummating with British Columbia is the construction of a great railway to the Pacific; and surely no one imagines it is possible that great work can be built without material public aid. The Hon. Member is well aware, besides, that one of the terms of the Confederation compact was the improvement of the western canals. He certainly, therefore, was the last person, under the circumstances, who should have uttered this warning with regard to the public works. It is not the first time he has talked about speculations, extravagant and improvident expenditure, and so forth, of the years 1852 to 1854.

For my own part I am not prepared to defend all the grants and loans which were contracted in those years with regard to the railway improvements, yet I will not hesitate to say that I believe that, on the whole, the expenditure of money which took place under the acts to which I refer, did tend very much to the improvement and advantage of the Province of Ontario in which the expenditure chiefly took place. If we are to go on with

improvements, it is absolutely impossible that improvements of a larger description can be paid out of the ordinary revenue, but it is really a little too bad that after all the attacks made on the Government from the other side of the House for paying too much out of capital—that is to say for borrowing money for the purpose of making public improvements—when we come forward to say that we have the means of paying them out of our ordinary revenue, and do pay them out of that source, it is too bad that we are assailed for it. At all events, as far as my own experience goes, I have no knowledge of any precedent for this, (Cheers). What have we had this evening? We have had a regular discussion on the estimates, just as if the House were in Committee of Supply. We have had all the items passed under review, and attacks made on the Government which it is almost impossible in discussion of this kind to meet. I certainly feel pretty strongly on the subject, because the honorable gentleman, not content with attacking the Government, has actually assailed me personally as Minister of Finance.

Hon. Sir A. T. GALT—No, no.

Hon. Sir FRANCIS HINCKS—Yes, yes! I say yes, for the honorable gentleman attacked the mode of dealing with the finances of the country, and said it was my financial policy (hear, hear). Now, the honorable gentleman withdrew last session a charge of a similar kind which he was making, when he said he knew very well that the Finance Minister was not responsible for the estimates of the Government. I do not want to shrink from the responsibility of the estimates, but I do say that it is not a proper charge to bring a personal charge against the Minister of Finance because the Public Works Department or any other department submit estimates larger than the Hon. gentlemen think desirable. The true way is to take up these items and ask are they wanted for the country or not (hear, hear). I say with regard to the item of \$150,000 for the erection of a public building in Toronto, I say that the state of the public building there, used as a Custom House, is a standing disgrace to this country.

Mr. HARRISON—Hear, hear.

Hon. Sir FRANCIS HINCKS—There is a paltry custom house building that I recollect seeing there twenty years ago that is wholly inadequate for the trade of that city, where such an enormous portion of the revenue of the Dominion is collected (hear, hear). And then the Inland Revenue Department is without any office, except a hired one in the exchange buildings though its officers are obliged to collect an immense revenue which, with the customs revenue, is equal to the whole amount collected in the province when the building was erected. I am prepared to vindicate that vote and every other vote in the public estimates, and it is not honorable members to say that the estimates are larger this year than they were last year. As I have said, we have been assailed time and again when we were not able to make improvements without enlarging the debt, but now, when we are trying to keep down the debt and are paying out of our current revenue those amounts, we are assailed because our estimates are so large (cheers). My honorable friend was obliged to admit, because I stated it distinctly, that the extraordinary expenses were upwards of a million dollars larger this year. There was the census charge. That is very large, and any one who thinks of the immense territorial extent of the Dominion will see that it is hardly possible to avoid incurring large expenses in this direction. Now, as to the negotiations at Washington—why, sir, the Hon. Member for Sherbrooke is the last member in this House who should have said one word upon this subject. The Hon. Member said that my remarks were an excuse unworthy of a finance minister, and talked of the duties which affected our own people and said the Government should legislate for them only. But, does the honorable gentleman remember the year 1866, when he was negotiating with the Committee of Ways and Means at Washington? When he was carrying on negotiations there with the evident intention of basing our tariff on that of the United States? Yet, he is the very honorable gentleman who now stands up and tells us that when negotiations are going on at Washington, and when it is a remarkable fact that a repeal of the coal duties is hung up in the Senate at the present time—

Hon. Mr. HOLTON—No, not hung up!

Hon. Sir FRANCIS HINCKS—Yes, it is so. I have the best authority for it. I state it on undoubted authority, and from the latest information got by telegram this very day from Washington (hear, hear).

Hon. Sir G. CARTIER—The Hon. Member for Chateauguay has only the newspapers, you know! (laughter).

Hon. Mr. HOLTON—I happen to know what can and what cannot be done under the Constitution of the United States. A bill passed by the late Congress cannot be dealt with by the New Senate. It must be commenced *de novo* in the House of Representatives.

Hon. Sir FRANCIS HINCKS—I am not going to enter into all the points raised by the Hon. Member for Sherbrooke, but I cannot pass without notice his remarks with reference to the West India Commission. I recollect perfectly well what took place on a former occasion with regard to that subject. The honorable member for North Lanark who charged him with inaction was a member of the Government for two or three years after that time, and yet he did not succeed in getting any action taken on the report of the Commissioners. I can only say that I believe the principal recommendation of the report to be a very valuable recommendation; but while I say that, while I believe it would be most desirable to have better communication with the West Indies and more intimate commercial relations with them, I am not insensible to the difficulties that have hitherto stood in the way. Negotiations have been going on for a considerable time on the subject, but owing to the fact that Newfoundland did not come into the confederation, the scheme of subsidizing a line of steamers, which would have fully answered the purpose, was thrown back. I can only say that my honorable friend and colleague, the Postmaster General, is thoroughly alive to the importance of the subject, that he has it constantly in view, but he has not yet seen a chance for carrying out any efficient scheme. There is another point respecting which I think my honorable friend should have been the last member of this House to attack the Government, that is the withdrawal of capital from commercial purposes. That honorable gentleman who projected a scheme for the withdrawal of the whole banking circulation of the country is about the last person to make an attack upon the Government for withdrawing capital from commercial purposes. The main withdrawal of capital from commercial purposes will be in the form of the issue of Dominion notes; and really that will be to a very small extent, because, although the honorable gentleman has condemned the arrangement which obtained the sanction of Parliament last session, by which the banks were obliged to hold half their reserves in Dominion notes, that did not lead to any more withdrawal of capital, because if the banks did not hold their reserves in Dominion notes, they would have to hold them in gold, while the Government obtained a very considerable circulation, and really economized capital rather than the reverse. The only way the Government could possibly withdraw capital is by the circulation of small notes. In view of the fact that banks are not allowed to issue notes beyond the amount of their capital, and that that amount will be reached, as I believe will be found to be the case, without the issue of small notes, it will be found that the issue of small notes by the Government will not withdraw any capital from the country, and will not injure the banks in the slightest degree. With regard to the other alleged withdrawal of capital from commercial purposes, I believe it will be found that the measure of the Government with regard to insurance companies will tend in a different direction. Certainly it will not increase but rather tend to diminish the necessity of investing in Dominion securities. No doubt at the time when the Government had a large floating debt to pay off they were anxious to issue their securities, but we have during the last year been rather embarrassed by insurance companies withdrawing the securities they had deposited under the Act, and requiring us to give them Dominion stock instead. We had a great deal rather they had kept their securities in their original form. Of course, Sir, I am quite willing to give due attention to all warnings which may come from my honorable friend with regard to extravagance. I am not aware that the Government are projecting any very expensive public works outside of those works to which I have already made reference. The principal item from public works which are chargeable to capital in the present estimates is the Inter-colonial Railway. Of course we intend to complete that railway with as much

rapidity as possible. Many of the other items are for carrying out works which are already sanctioned by Parliament, and which it would be absolutely impossible for us to abandon in their present state. The Buildings at Halifax are, of course, in quite an exceptional position, as the Minister of Customs fully explained. We are now charging \$10,000 a year to Nova Scotia for these buildings. We must have buildings at Halifax, and if the present building is not handed over to us, there is nothing for us to do but to build a new one. This will impose no fresh burden upon the Dominion, because until the Buildings are handed over, Nova Scotia is charged with \$10,000 a year upon them, which will be about the interest on the cost of a new building. I will not trouble the House any longer. I must say I think the course taken by the Hon. Member of Sherbrooke is an unusual one, and is a direct vote of want of confidence in the Government. Nor is it supported by any fair argument, because the mode adopted of lumping the whole estimates, and showing so much this year and so much more another year, without going into the investigation of particular items, is a course which I think quite unprecedented and which I think will not be sustained by a majority of this House.